

West Virginia
PEIA/RHBT Finance Board
September 23, 2021
DEP/PEIA Building, Coopers Rock Room 1203
601 57th Street SE, Charleston, WV 25304

MINUTES

PLACE OF MEETING:

The meeting of the Finance Board of the West Virginia Public Employees Insurance Agency (PEIA) and Retiree Health Benefits Trust (RHBT) Fund was held on Thursday, September 23, 2021 at 1:00 p.m. in the Canaan Valley Conference Room at the DEP/PEIA Building located at 601 57th Street SE, Charleston, WV 25304. The meeting was held pursuant to the online notice filed with the Office of West Virginia Secretary of State Mac Warner. The meeting was held in person and via teleconference.

BOARD MEMBERS PRESENT:

Mary Jane Pickens, Chairman

Melody A. Duke

Amanda Meadows

William "Bill" Milam

Jared Robertson

Michael "Mike" T. Smith

MEETING BEGAN AT APPROXIMATELY 1:00 P.M. WITH A QUORUM PRESENT

TOPIC: **Approval of Minutes from the June 17, 2021 Board Meeting**

DISCUSSION: Secretary Mary Jane Pickens pointed out a correction to the Minutes.

MOTION: A motion was offered by Bill Milam, to approve the June 17, 2021 minutes. The motion was seconded by Amanda Meadows.

ACTION: **The motion to approve the minutes was passed unanimously.**

TOPIC: **Discussion of the FY 2021 Finance Plan Update**

DISCUSSION: Chris Borcik gave an overview from CCA of the financial update for PEIA and RHBT.

West Virginia Public Employee Insurance Agency

	Fiscal Year 2021 (millions)			Fiscal Year 2022 (millions)		
	Financial Plan	Sep-21 Update	Change	Financial Plan	Sep-21 Update	Change
Revenue						
Premiums	\$ 761.0	\$ 762.8	\$ 1.8	\$ 761.1	\$ 761.3	\$ 0.2
Investment Income	20.0	40.6	20.6	12.6	12.8	0.2
Other	28.7	28.5	(0.3)	28.9	28.6	(0.3)
Total	\$ 809.7	\$ 831.9	\$ 22.2	\$ 802.6	\$ 802.7	\$ 0.1
Expenses						
Medical Claims	\$ 450.2	\$ 467.9	\$ 17.7	\$ 470.2	\$ 491.2	\$ 21.0
Drug Claims	170.7	173.3	2.6	186.7	194.3	7.6
Capitations	53.1	54.0	0.8	56.3	57.2	0.9
Administration & Wellness	25.0	22.8	(2.2)	27.6	25.3	(2.3)
WV RHBT Pay Go Premiums	137.2	137.3	0.0	100.0	100.1	0.1
ACA Expenses	0.4	0.5	0.0	0.4	0.4	0.0
Other Expenses	3.9	3.0	(0.9)	4.0	4.5	0.5
Total	\$ 840.7	\$ 858.7	\$ 18.0	\$ 845.3	\$ 873.1	\$ 27.8
Fiscal Year Results	\$ (31.0)	\$ (26.9)	\$ 4.1	\$ (42.7)	\$ (70.4)	\$ (27.7)
Ending Fund Balance	\$ 241.0	\$ 245.1	\$ 4.1	\$ 198.3	\$ 174.7	\$ (23.6)
Required Reserve	\$ 126.7	\$ 129.1	\$ 2.4	\$ 133.2	\$ 133.7	\$ 0.6
Surplus/(Shortfall)	\$ 114.2	\$ 116.0	\$ 1.7	\$ 65.1	\$ 41.0	\$ (24.1)

*The annual Medical Trend through August was 16.1%, the FY21 plan assumption was 5.0%

*The annual Gross Drug Trend through August was 13.9%, the FY21 plan assumption was 13.0%

West Virginia Retiree Health Benefit Trust

	Fiscal Year 2021 (millions)			Fiscal Year 2022 (millions)		
	Financial Plan	Sep-21 Update	Change	Financial Plan	Sep-21 Update	Change
Revenue						
Premiums	\$ 221.2	\$ 219.9	\$ (1.3)	\$ 186.3	\$ 184.0	\$ (2.3)
Annual Required Contributions	-	-	-	-	-	-
Life Insurance	27.3	27.2	(0.0)	28.6	28.6	(0.0)
Investment Income	95.8	360.4	264.7	104.4	124.5	20.0
Transfer from Premium Stabilization Reserve	(30.0)	(30.0)	-	3.3	-	(3.3)
General Revenue Transfer	30.0	30.0	-	30.0	30.0	-
Total	\$ 344.2	\$ 607.6	\$ 263.4	\$ 352.7	\$ 367.1	\$ 14.4
Expenses						
Medical Claims	\$ 49.9	\$ 49.9	\$ 0.0	\$ 52.2	\$ 52.0	\$ (0.2)
Drug Claims	23.3	23.6	0.3	25.4	26.1	0.7
Capitations	109.7	105.2	(4.5)	105.8	68.1	(37.7)
Administration & Wellness	4.4	4.5	0.1	4.7	4.8	0.1
Life Insurance	26.8	27.4	0.6	28.1	28.7	0.6
Retiree Assistance Program	1.7	1.7	(0.1)	1.9	1.6	(0.3)
ACA Expenses	0.0	0.0	(0.0)	0.0	0.0	(0.0)
Other Expenses	0.2	0.0	(0.2)	0.2	0.2	(0.0)
Total	\$ 216.0	\$ 212.2	\$ (3.7)	\$ 218.2	\$ 181.5	\$ (36.7)
Fiscal Year Results	\$ 128.3	\$ 395.4	\$ 267.1	\$ 134.4	\$ 185.5	\$ 51.1
Ending Fund Balance	\$ 1,314.8	\$ 1,581.9	\$ 267.1	\$ 1,449.2	\$ 1,767.4	\$ 318.2

*The annual Non-Med Medical Trend through August was 13.3%, the FY21 plan assumption was 5.0%

*The annual Non-Med Gross Drug Trend through August was 6.0%, the FY21 plan assumption was 9.0%

TOPIC: Financial Updates – Year End**DISCUSSION:** Jason Haight, PEIA’s Chief Financial Officer, gave an overview of financials.

West Virginia Public Employees Insurance Agency
Statement of Net Position
 Wednesday, June 30, 2021
 (Dollars in Thousands)

DRAFT-(Unaudited-For Internal Use Only)

	CURRENT YR	PRIOR YR	VARIANCE	
			\$	%
Assets				
Current assets:				
Cash and cash equivalents	\$20,330	\$7,411	\$12,919	174%
Equity position in Internal Investment pool	10,057	30,436	(\$20,379)	(67%)
Premiums receivable:				
Other, less allowance for doubtful accounts	9,005	9,407	(\$402)	(4%)
Due From RHBT	1,722	6,457	(\$4,735)	(73%)
Accounts receivable:				
Prescription rebates	56,762	40,924	\$15,838	39%
Other	703	11,572	(\$10,869)	(95%)
Total current assets	98,579	106,207	(7,628)	(7%)
Noncurrent assets:				
Equity position in Internal Investment pools	270,948	260,386	10,562	4%
Equity position in Internal Investment pool – restricted	9,403	13,817	(4,414)	(32%)
Capital assets, net of accumulated depreciation	66	101	(35)	(35%)
Total noncurrent assets	280,417	274,304	6,113	2%
Total assets	378,996	380,511	(1,515)	(0%)
Deferred Outflows of Resources Related to Pensions & OPEB	706	358	348	97%
Liabilities				
Current liabilities:				
IBNR	91,480	67,800	23,680	35%
Current claims payable	6,607	5,566	1,041	19%
Premium deficiency reserve	83,166	46,535	36,631	79%
Accounts payable	2,963	4,104	(1,141)	(28%)
Unearned revenue	19,889	13,854	6,035	44%
Other accrued liabilities	2,448	2,538	(90)	(4%)
Total current liabilities	206,553	140,397	66,156	47%
Noncurrent liabilities:				
Other Liabilities	752	819	(67)	0%
Other accrued liabilities: Premium stabilization fund	9,403	13,817	(4,414)	0%
Total liabilities	216,708	155,033	25,593	17%
Deferred Inflows of Resources Related to Pensions & OPEB	620	432	188	44%
Net position				
Invested in capital assets	66	101	(35)	(35%)
Actuarially Required Reserve	104,162	115,347	(11,185)	(10%)
PEIA PSR, Unrestricted	58,146	109,956	(51,810)	(47%)
Total net position	162,374	225,404	(63,030)	(28%)

West Virginia Public Employees Insurance Agency
Statement of Changes in Plan Net Position
For the Twelve Months Ending Wednesday, June 30, 2021
(Dollars in Thousands)

DRAFT-(Unaudited-For Internal Use Only)

ACTUAL	BUDGET	PRIOR YR		BUDGET VARIANCE		PRIOR YR VARIANCE	
				\$	%	\$	%
OPERATING REVENUE							
Premium Revenue							
\$383,140	\$379,919	\$378,090	Health Insurance - State Gov. - Employers	\$3,221	1%	\$5,050	1%
121,018	120,212	120,501	Health Insurance - State Gov. - Employees	804	1%	515	0%
118,918	108,950	105,810	Health Insurance - Local Gov. - All	11,968	11%	13,108	12%
4,915	4,548	4,817	Administrative Fees, Net of Refunds	367	8%	98	2%
2,472	1,697	2,115	Other Premium Revenue	775	46%	357	17%
630,461	613,326	611,333	Total Operating Revenue	17,135	3%	19,128	3%
NON-OPERATING REVENUE							
2,543	1,474	838	Life Insurance	1,069	73%	2,143	337%
21,000	55,000	31,000	Direct Transfer	(34,000)	(62%)	(10,000)	(32%)
40,617	11,698	4,969	Interest and Investment Income	28,919	247%	35,648	717%
64,160	68,172	36,605	Total Non-Operating Revenue	(4,012)	(6%)	27,555	75%
694,621	681,498	647,938	TOTAL REVENUE	13,123	2%	46,683	7%
EXPENSES							
504,550	456,715	429,565	Claims Expense - Medical	(47,835)	(10%)	(74,985)	(17%)
173,291	170,290	141,471	Claims Expense - Drugs	(3,001)	(2%)	(31,820)	(22%)
53,971	52,420	49,905	Payments to Managed Care Org.	(1,551)	(3%)	(4,066)	(8%)
19,491	25,181	20,209	Administrative Service Fees	5,690	23%	718	4%
131	8,000	195	Wellness and Disease Management	7,869	98%	64	33%
3,221	4,519	5,249	Other Operating Expenses	1,298	29%	2,028	39%
2,543	1,297	1,759	Life Insurance Expense	(1,246)	(96%)	(784)	(45%)
451	0	570	ACA Comparative Effectiveness Fee	(451)	0%	119	21%
757,649	718,422	648,923	TOTAL EXPENSES	(39,227)	13%	(108,726)	(14%)
(63,028)	(36,924)	(985)	YTD Surplus (Deficit)	(26,104)	71%	(62,043)	6,299%
225,402	225,402	226,389	Total Net Position, Beginning of Period	0	0%	(987)	(0%)
104,162	104,162	115,347	End of Period Net Position, Actuarially Required Reserve	0	0%	(11,185)	(10%)
58,212	84,316	110,057	End of Period Net Position, PEIA PSR	(26,104)	0%	(51,845)	(47%)
\$162,374	\$188,478	\$225,404	Total Net Position, End of Period	(\$26,104)	(14%)	(\$63,030)	(28%)

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West Virginia Retiree Health Benefit Trust Fund
STATEMENT OF PLAN NET POSITION
Wednesday, June 30, 2021
In Thousands
PRELIMINARY

	CURRENT YR	PRIOR YR	VARIANCE	
			\$	%
ASSETS				
Cash - Operating Fund	\$7,119	\$6,411	\$708	11%
INVESTMENTS				
WV Board of Treasury Investments	58,541	43,447	15,094	35%
WV Investment Management Board	1,590,576	1,150,228	440,348	38%
Total Investments	1,649,117	1,193,675	455,442	38%
Due From / (To) WV PEIA	(1,722)	(6,457)	4,735	(73%)
PREMIUM ACCOUNTS RECEIVABLE				
Premium Accounts Receivable	8,878	2,809	6,069	216%
Less: Allowance for Doubtful Accounts	(177)	(143)	(34)	24%
Net - Premium Accounts Receivable	8,701	2,666	6,035	226%
Other Receivables	7,769	40,608	(32,839)	(81%)
TOTAL ASSETS	1,670,984	1,236,903	434,081	35%
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows of Resources Related to Pension	249	112	137	122%
Deferred Outflows of Resources Related to OPEB	121	79	42	53%
TOTAL DEFERRED OUTFLOWS OF RESOURCES	370	191	179	94%
LIABILITIES				
Claims payable	7,840	8,490	650	8%
Accounts payable	22	25	3	12%
Accrued Liabilities	11,412	3,705	(7,707)	(208%)
TOTAL LIABILITIES	19,274	12,220	(7,054)	(58%)
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows of Resources Related to Pension	21	84	63	75%
Deferred Inflows of Resources Related to OPEB	313	151	(162)	(107%)
TOTAL DEFERRED INFLOWS OF RESOURCES	334	235	(99)	(42%)
Net Position- PSR	68,107	68,107	-	0%
Net Position- Restricted	1,583,639	1,156,429	427,107	37%
NET POSITION RESTRICTED FOR POST EMPLOYMENT BENEFITS	\$1,651,746	\$1,224,639	\$427,107	35%

West Virginia Retiree Health Benefit Trust Fund
STATEMENT OF CHANGES IN PLAN NET POSITION
For the Twelve Months Ending Wednesday, June 30, 2021
In Thousands
PRELIMINARY

ACTUAL	BUDGET	PRIOR YR		BUDGET VARIANCE		PRIOR YR VARIANCE	
				\$	%	\$	%
			ADDITIONS				
			Employer Premiums:				
\$2,203	\$3,044	\$2,874	Health premiums - Non Par	(\$841)	(28%)	(\$671)	(23%)
12,680	13,348	14,021	Health Premiums - RLC Health, Life	(668)	(5%)	(1,341)	(10%)
137,260	135,000	141,510	Pay Go Premiums	2,260	2%	(4,250)	(3%)
30,000	30,000	35,000	State appropriation - OPEB	-	0%	(5,000)	(14%)
182,143	181,392	193,405	Total Employer Premiums	751	0%	(11,262)	(6%)
			Other Additions:				
733	1,000	643	Retiree Drug Subsidy	(267)	(27%)	90	14%
360,443	89,122	29,921	Investment Income	271,321	304%	330,522	1,105%
543,319	271,514	223,969	TOTAL ADDITIONS	271,805	100%	319,350	143%
			DEDUCTIONS				
105,166	121,717	82,445	Payments to Managed Care Org.	16,551	14%	(22,721)	(28%)
27,354	26,020	25,685	Life Insurance Expense	(1,334)	(5%)	(1,669)	(6%)
49,890	55,990	49,318	Medical Claims Expense	6,100	11%	(572)	(1%)
23,601	29,301	21,799	Pharmacy Claims Expense	5,700	19%	(1,802)	(8%)
1,655	2,136	1,986	Administrative Service Fees (External)	481	23%	331	17%
(67,039)	(69,619)	(67,776)	Member Health premiums	(2,580)	4%	(737)	1%
(27,237)	(26,158)	(24,970)	Member Life Insurance Premiums	1,079	(4%)	2,267	(9%)
2,824	3,478	2,504	Other Operating Expenses	654	19%	(320)	(13%)
116,214	142,865	90,991	TOTAL DEDUCTIONS	26,651	19%	(25,223)	(28%)
427,105	128,649	132,978	NET POSITION INCREASE (DECREASE)	298,456	232%	294,127	221%
			Net Position Restricted for Post Employment Benefits				
1,224,641	1,224,641	1,091,661	Beginning of Period Total Net Position	-	0%	132,980	12%
1,583,639	1,285,183	1,186,532	End of Period Net Position - Restricted	298,456	23%	397,107	33%
68,107	68,107	38,107	End of Period Net Position - PSR	-	0%	30,000	79%
\$1,651,746	\$1,353,290	\$1,224,639	End of Period Total Net Position	\$298,456	18%	\$427,107	35%

PUBLIC COMMENTS AND QUESTIONS:

- Dale Lee – President of West Virginia Education Association
 - Expressed his appreciation that a public hearing was added in Wheeling as he'd requested at a previous meeting. News is good for this year but PEIA is facing a challenge. Educators made a stand in 2018 and the PEIA Task Force was developed. Unfortunately, the Task Force has been neglected on what the recommendations were by the Legislature. He believes a source of income is going to be needed. The current investments are amazing but that is not going to last forever. At some point the market is going to adjust. The decision becomes, "Where are we going to get the revenue?" Our educators in 2018 did not say costs would all have to be taken on by the State. Everyone is going to have some skin in the game. The Task Force came up with a Plan that allows that and it is a solution. I'm calling on the Finance Board to join the WVEA in seeking that Legislature put the funds in and introduce the bill that was introduced, bring it up in committees, and have a discussion. When everybody goes to the table, we can come up with solutions. I appreciate the work that has been done to get us to another year of a solvent plan. I appreciate that our retirees continue to be taken care of but we have a lot of work to do coming up. It's time for us all to get together and figure out a way to solve this problem.

DISCUSSION: None.

TOPIC: Old Business – Director Ted Cheatham

- Proposed Public Hearing Dates
 - November 8 – Telephone Town Hall
 - November 9 – Charleston
 - November 10 – Beckley
 - November 16 – Martinsburg
 - November 17 – Morgantown
 - November 18 - Wheeling

DISCUSSION: The financials and logistics for travel will be discussed at the October 21, 2021 meeting. Director Cheatham encourages everyone to attend in person or by phone as you are able.

TOPIC: New Business – Director Ted Cheatham

DISCUSSION: None.

TOPIC: Next Meeting

DISCUSSION: October 21, 2021

TOPIC: Adjourn

ACTION: There being no further business, the September 23, 2021 meeting of the West Virginia RHBT Fund and PEIA Finance Board adjourned at approximately 1:30 p.m.

MOTION: A motion to adjourn the Finance Board was made by Bill Milam and seconded by Amanda Meadows.

ACTION: **The motion to adjourn passed unanimously.**

These minutes were transcribed from recording by Kenna M. DeRaimo, Finance Board Secretary, and are respectfully submitted on the 21st day of October 2021.